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If a company has acquired control of the common stock of another, but not of its preferred, it should be required either to buy the preferred stock or to make the preference cumulative. For the continued existence of a non-cumulative preference under such conditions will offer constant temptations to unfair dealing, if not to actual fraud.

In order to avoid vexatious opposition to consolidation by a minority it should be possible, after such an offer had been fairly made, to convey the property by three-fourths vote of the shareholders and dissolve the corporation. The purchase of less than a majority of the stock of one line by another (except as one of a group of railroads jointly holding the stock of some connecting company) should be discountenanced and as far as possible prohibited.

It is to be hoped that Congress will deal with this important matter in connection with whatever supplementary legislation is needed to round out our present Interstate Commerce Laws. Mere cumulative voting for directors on the principle of certain proposed reforms in the laws respecting the suffrage, in order to curb the tyranny of political majorities, might do something. But it would need to be a part of a general plan for Federal incorporation of railroads. That is a proposal of larger scope, which, it should be added, is also favorably treated by the Railroad Securities Commission in another part of its Report.

WILLIAM Z. RIPLEY.

HARVARD UNIVERSITY.

STATE BOUNTIES AND THE BEET-SUGAR INDUSTRY

State bounties as a method of stimulating the development of the beet-sugar industry in the United States were most in vogue from 1895-98. There were some cases of state bounty granting before this and a few have occurred since, but the main activity took place during the three years

following the expiration of the bounty period of the McKinley Law (July 1, 1895).

As a rule the state bounties granted during this period took the form of a rate per pound (usually one cent) paid on the sugar product, and commonly providing as a condition of payment that the beet growers be paid at least a stipulated price per ton for the beets (usually \$5). On the most common basis,—one cent for sugar bounty, with \$5 per ton to be paid for beets,—the extra beet price nearly offset the bounty on sugar, so that the beet growers in fact secured most of the money paid out under the bounty law.

Nebraska was one of the pioneers in the payment of beet-sugar bounties. That state had two experiences with the practice, one before and the other during the time of greatest activity in state bounty payments. In the year 1889, when the Oxnards established a beet-sugar factory at Grand Island, Nebraska, that enterprise was fostered in a number of ways, including an outright gift of the land on which the factory stood, a cash bonus, and a state bounty of one cent per pound on sugar produced. This bounty yielded \$7,364 for the campaign of 1890; in the following year the bounty was withdrawn. The same group of capital undertook to establish a second factory at Norfolk, Nebraska, in 1892. But the farmers of the district, in view of the election results, which pointed to the repeal of the McKinley bounty, were not very enthusiastic about the enterprise; and this, combined with the dry year of 1894, almost killed the industry in that state.

In March, 1895, the state came to the rescue of the languishing industry, and the legislature passed a new bounty law, offering $\frac{5}{8}$ of a cent a pound on all sugar manufactured, provided the beets brought the farmers at least \$5 a ton. Since the amount of bounty on the finished sugar just about covered the extra cost of the beets, it amounted virtually to a bonus of \$1 a ton for the beet growers. Under the stimulus of this law some 9000 acres were put under beets for the two Nebraska factories for the crop of 1895. The

legislature of 1896 did not favor the principle, and repealed the bounty law. The Grand Island and the Norfolk factories nevertheless paid the farmers the extra price for beets, and filed with the state a claim for the bounties, due under the old law. This claim, which amounted to \$40,000, was in the courts for a number of years, and it was not until 1904 that the law finally was declared unconstitutional. The two subsidized factories, and two others established later, have one by one gone out of business. No beet-sugar factories are now in operation in Nebraska.

The state of Michigan had an experience with bounties which in many respects was even more striking than that of Nebraska; tho the industry established under the impulse given by the bounty law has survived in Michigan much better than it did in Nebraska, a result due, no doubt, to natural conditions more favorable to the industry in Michigan than in the latter state. The legislature of 1897, in Michigan, passed a law providing for a bounty of one cent per pound to be paid for sugar made from beets for which at least \$4 per ton had been paid to the farmers. An appropriation of \$10,000 was made to cover the payment of the bounty, and it was provided by the law that any excess over this amount should come from the general fund not otherwise appropriated. It was further provided that any factory with a capacity of at least 2000 pounds of sugar per day, erected while this act was in force, should be entitled to receive the bounty for a period of at least seven years from the date of the enactment of the law, March 26, 1897. The Michigan Sugar Company, with a factory at Bay City, in the campaign of 1898, made over 7,500,000 pounds of sugar and, therefore, claimed \$75,000 in bounties from the state. By 1899 there were eight companies in operation, and their combined bounty claims for that year amounted to \$301,106.13.

The legislature of 1899, frightened by the large amount of the claim made under this bounty law, amended the act, reducing the bounty to $\frac{1}{2}$ cent per pound; but the legislature refused to fix the limit of the bounty at \$25,000 as

recommended by the governor, and accordingly the governor vetoed the new law, leaving the old law still in effect. The matter was then brought before the Supreme Court of Michigan in connection with a suit for bounties unpaid, and the court declared the law unconstitutional, since it was "not a proper expense of the state on which a tax could be predicated." A large part of the industry thus artificially stimulated remained in Michigan even after the bounty law was declared unconstitutional, and Michigan today ranks as the third largest beet-sugar producing state in the Union.

The legislature of the state of New York, on May 18, 1897, passed a bounty law, appropriating \$25,000 to be given to beet-sugar manufacturers, provided none received more than one cent per pound, and provided also that the factories should pay to the farmers not less than \$5 per ton for the beets used in manufacturing the sugar on which the bounty was paid. In 1898, \$50,000 was appropriated to cover the expense of this bounty. Tho the maximum limit of the bounty was subsequently reduced to $\frac{1}{2}$ cent per pound, the policy of paying a direct bounty for sugar production in the state of New York was not entirely abandoned until the year 1907. Of three factories operating in New York under the law at various times, one still survives.

Utah is one of the few states which has paid a sugar bounty without any apparent subsequent regrets or change of heart. In the year 1896, the state voted a one cent per pound bounty to the new factory at Lehi, and it seems to be pretty generally agreed that this aid, granted for the first two years, was an important factor in the firm establishment of that plant as a successful manufacturing enterprise and a profitable outlet for a new crop.

One of the late comers into the bounty field was Kansas, and, of course, its methods were original and direct. The state of Kansas, in 1904, paid its first bounties under a law which differs from nearly all other state bounties in that the bounty of \$1 a ton on beets grown was paid directly to

the farmers instead of being paid indirectly by the sugar factory. A limit of \$5000 was set for this bounty, and it was provided that if the claims for bounty totalled more than this amount, the \$5000 should be divided pro rata among all growers on the basis of their tonnage. In 1904, 6,378 tons were produced, so that the farmers each received almost the full bounty of \$1 per ton. In 1905, there were 8,605 tons grown by 132 farmers; and in 1906, 69,000 tons were grown by 245 farmers. Of this total, 11,000 tons were grown by the United States Sugar and Land Company, and were chiefly manufactured at the company's plant at Garden City, altho small quantities were shipped to other factories, also under control of the company, at Holly and Leavitt, Colorado.

The state of Idaho passed a bounty law which was brought into the courts before any money was paid under it, and was finally declared unconstitutional only a short time before the bounty period provided by the law expired automatically in 1904.

The state of Washington, in 1898, passed a law providing for a bounty of one cent per pound on raw sugar, with a limit of \$50,000. This was to be paid only to factories built before November 1, 1899 (afterwards extended to 1901). It was to be in effect only three years. Only one factory made claims for bounties under this law.

The state of Minnesota, in 1898, passed a bounty law, and paid bounties in 1898 and 1899 to a single factory. The payment was refused in 1900, and the law, under contest, was declared unconstitutional.

Iowa and Wisconsin varied the form of bounty somewhat, by not giving a direct money payment, but providing merely for exemption of the beet-sugar factories from taxation; the Wisconsin law running for five years from 1897.

The states of South Dakota, Indiana, Pennsylvania, and Illinois form a group of states in which a bounty law was passed for beet-sugar production, but in which no money was ever paid out, because no one came forward who had complied with the requirements of the statutes. The

state of New Jersey had a peculiar experience in that a bounty law was passed by the legislature in 1898, but was vetoed by the governor, on the ground that experiments did not indicate sufficient reason to believe that the establishment of the industry was feasible in the state.

P. T. CHERINGTON.

HARVARD UNIVERSITY.